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C O N F I D E N T I A L SECTION 01 OF 04 COLOMBO 000611

SIPDIS

DEPARTMENT FOR SA, SA/INS, INR/NESA; PLS PASS TO USTR J. ROSENBAUM

NSC FOR E. MILLARD; TREASURY FOR R. ADKINS; COMMERCE FOR  
1A. BENAÏSSA

KATHMANDU PLS PASS TO CODEL DREIER

E.O. 12958: DECL: 04/08/14

TAGS: PREL PGOV PINR ECON MASS CE LTTE

SUBJECT: In meeting with Ambassador, new PM expresses support for peace process, notes concerns re radical JVP

Refs: Colombo 607, and previous

(U) Classified by Ambassador Jeffrey J. Lunstead.  
Reasons 1.5 (b,d).

#### SUMMARY

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11. (C) Ambassador Lunstead made a congratulatory call on new Sri Lankan Prime Minister Mahinda Rajapakse on April 8. During their 45-minute long discussion, Rajapakse underscored his support for the peace process. In a theme he kept returning to, he also expressed deep concerns about the high degree of influence the radical JVP party would have on the new government. The Ambassador noted that it was important for the new government to send a positive signal to investors regarding its economic plans, and he briefly reviewed USG military-to-military cooperation with the GSL. Rajapakse stressed that he wanted to work with the U.S. very closely. Rajapakse was his usual affable, breezy self throughout the meeting. He is someone we think the U.S. can work with. He will be very much overshadowed by President Kumaratunga and he seems fine with that. We suggest that a formal letter of congratulations be sent to him from Washington as soon as possible. END SUMMARY.

#### ----- Meeting the new PM -----

12. (C) Ambassador Lunstead called on new Sri Lankan Prime Minister Mahinda Rajapakse on April 8. (Rajapakse, the former Leader of the Opposition and a senior MP in President Kumaratunga's Sri Lanka Freedom Party, "SLFP," was sworn in on April 6 -- see Reftels for bio-data.) The meeting took place at Rajapakse's private residence in Colombo. (There are unconfirmed reports that Rajapakse does not plan to move into the official residence located at Temple Trees across from the Embassy, though he may use it as an office.) Before the meeting began, there was a photo spray involving a scrum of photographers and cameramen.

13. (C) When the two sat down, the Ambassador congratulated Rajapakse on the results of the April 2 parliamentary election in which the United People's Freedom Alliance (UPFA) won the most seats. (The UPFA is a coalition of the SLFP and the radical Janatha Vimukthi Peramuna, "JVP," party.) The Ambassador noted that the election and the largely peaceful way it was conducted were a "positive symbol of democracy." When asked if he was elated, Rajapakse, smiling broadly, replied: "I don't feel it yet." The Ambassador noted that he had often said that he represented the U.S. to Sri Lanka as a whole, and not to one party, or to one person. That was true in the past and was true now. The U.S. looks forward to working with the new government in support of the peace process, prosperity for the Sri Lankan people, and to defeat terrorism. Rajapakse, who was dressed in his customary red scarf over a long white shirt and white sarong, replied that he wanted good relations with the U.S. and did not foresee any "barriers" to that happening -- the U.S. and Sri Lanka "must work together."

#### ----- Peace Process -----

14. (C) The Ambassador remarked that he had met with the other local co-chairs of the Tokyo process (Norway, Japan, and the EU) on April 7 and everyone had agreed on how important it was to support the peace process. Rajapakse agreed that maintaining the peace process was a key priority. He noted, however, that "President Kumaratunga will be dealing with that." The Ambassador asked whether some sort of public statement by the co-

chairs expressing support for the peace process would be helpful at this time. Rajapakse said it would be because many people in the south needed reassurance that the country was not going to be divided into two. The Ambassador also asked about Rajapakse's reported comment on April 6 that India should assume a bigger role in the peace process. (Lakshman Kadirgamar, a former foreign minister who is set to reclaim his old job, had made a similar point in April 7 comments to the press.) Rajapakse replied that he had not had anything specific in mind. India, however, was an important country and people in the south would be reassured about the peace process if India was actively involved. The Ambassador agreed that additional Indian involvement would only help. He added that the U.S. and India enjoyed a very warm relationship on international matters, including on Sri Lanka. This may have not been the case years ago, but it was today.

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Concerns about JVP  
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15. (C) Shifting focus, Rajapakse immediately turned the conversation to a point he kept returning to during the meeting: his concerns about JVP influence in the new government. He related that the JVP was gaining strength in the country. It had won 39 seats in the April 2 election, up from 16 seats in the last election. (Note: Based on the election result, the JVP could have had 41 seats, but, in a spirit of compromise, it decided to forego two seats it could have had on the UPFA's "national list" of candidates.) The JVP had a "definite plan" and it was going to have a great deal of influence on the new government and its policies. He added that he thought that "President (Kumaratunga) was underestimating the JVP, thinking she could control them." The JVP, however, was in a good position "to interfere" in many aspects of the new government. The group, for example, was going to get four key ministries: agriculture, rural development, fisheries, and culture. These ministries were very important ones in Sri Lanka, he averred. The ministries the JVP would control would demand funds from the government, but the party did not have any responsibility for the budget, and thus would be in position to criticize the GSL's actions. In addition, key JVP leaders had decided not to assume ministerial slots, preferring to leave them to subordinates, which was a clear sign that the JVP planned to separate itself and strike out at the new government when it wanted. One of the reasons he wanted India to be more actively involved in the peace process was to reassure people in the south and, by doing so, help convince them not to turn to the JVP or the JHU. (The Jathika Hela Urumaya, the "JHU," is an all-Buddhist monk party, which -- in a very impressive result for a new party -- won nine seats in the election.) When Rajapakse finished his soliloquy regarding the JVP, the Ambassador responded that the U.S. also had concerns about the JVP involving its stance regarding the peace process, economic reform, and on other issues. When queried, Rajapakse said he was not certain when a new cabinet would be named, but it could be as early as tomorrow (April 9).

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Economic Issues  
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16. (C) The Ambassador noted that the peace process reinforced efforts to bring prosperity to the Sri Lankan people and vice versa. In light of this, it was important that the new government send a clear signal to investors, international and local, that it supported potential investment. Investors need to know that the peace process would continue and that the government in power would provide sound, stable economic management in regard to the budget, privatizations and other reforms. Rajapakse replied that he could not support the privatization of basic services, such as health services or transport industries, such as the railways. The Ambassador commented that the railways were facing huge losses. Rajapakse replied that they needed a new management system. He added that if the new government attempted to privatize the railway system: "we would lose power as quickly as the last government." In any case, the JVP would not allow the railway system to be privatized. The Ambassador noted that free markets were almost always the best way to create efficiencies and asked whether the new government planned to move ahead with the planned third wave privatization of the petroleum sector. Rajapakse did not give a clear response to the question. The Ambassador then remarked that neighboring India was experiencing a huge economic surge, with very high growth rates. He had read that Prime Minister Vajpayee, in the midst of the

parliamentary campaign, was promising to go forward with more privatizations. Rajapakse replied that "India can afford to do that; Sri Lanka has a lot of poverty." The Ambassador related that Sri Lanka had many advantages, but it had to work to sell itself; India and China, immense markets, were doing so and getting ahead. In closing, the Ambassador advised that it might be a good idea if the new government made a pro-investment statement to soothe any concerns in the near-term.

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Mil-to-Mil Cooperation  
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17. (C) The Ambassador added that the U.S. had a wide variety of programs in Sri Lanka. These programs covered many areas, including development assistance and military-to-military cooperation. The Ambassador briefly reviewed the Millennium Challenge Account, noting that Sri Lanka was a potential candidate. Regarding military cooperation, the Ambassador said two signals were being sent to the Tigers: first, if they pursued peace, there would be benefits in economic reconstruction; and second, if they returned to the war, the U.S. and others would stand by the GSL. In regard to specific programs, the U.S. was planning to provide the GSL with a former U.S. Coast Guard cutter. This would send a strong signal. The ship was being provided gratis, though the GSL would have to fund the refurbishment costs. Rajapakse said he had heard of the cutter program from a friend from his home area in the south, who was an engineer and had inspected the cutter for the GSL in the U.S. The Ambassador commented that some quick decisions were needed by the GSL regarding the cutter and he had just sent a letter to Defense Secretary Herath. Rajapakse said it was important that

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the ship be provided to the navy and not to the fisheries ministry, which was going to be under JVP control.

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Other Issues  
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18. (C) Toward the end of the discussion, Rajapakse suddenly commented that he had a friend in Las Vegas who had called him and told him that some Americans were talking about Sri Lanka now having "a Marxist government." The Ambassador replied that that was not how the USG felt. We planned to continue to work very closely with the GSL. As democracies, we had much in common. Rajapakse noted that he was the head of a group called "The Palestinian Solidarity Movement," but his only responsibilities involved a meeting and a statement once a year. The Ambassador remarked that with respect to international affairs, including the Middle East, the U.S. planned to work closely with Sri Lanka. There was always room for disagreement, but the two governments needed to continue to consult. Both the U.S. and Sri Lanka were on the UN Commission on Human Rights, for example. The U.S. had reviewed proposed CHR resolutions regarding Cuba and China with high-levels in the Sri Lankan government and wanted to keep in close touch as discussions proceeded in Geneva.

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COMMENT  
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19. (C) Rajapakse was his usual affable, breezy self throughout the meeting. He is very much a tactical thinker, seemingly focused almost single-mindedly on domestic politics. Rajapakse speaks from experience regarding the JVP: he comes from Sri Lanka's deep south and his political survival has depended on beating back repeated JVP challenges to his voter base. His concerns regarding the group have long been known, but the depth of those concerns came through loud and clear during the meeting. Based on his remarks and those we have heard elsewhere, there is little doubt that the JVP is going to have a huge degree of influence on the government, though the net impact of that on the peace process and the economic arena remains uncertain. In discussing the JVP, Rajapakse was also transparently signaling that there could be problems with infighting within the UPFA coalition. Overall, Rajapakse is someone we think the U.S. can work with. It is clear that he will be very much overshadowed by President Kumaratunga, however. He seems to realize that and to be fine with it. We suggest that a formal letter of congratulations be sent to him from Washington as soon as possible. END COMMENT.

110. (U) Minimize considered.

